

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2019/2020

BSB 3314 – SEMINAR IN BANKING
(All Sections / Groups)

19 October 2019
9.00 a.m. – 11.00 a.m.
(2 Hours)

INSTRUCTION TO STUDENT

1. This Question paper consists of 3 pages (including front page) with **FOUR (4)** Questions only.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet provided.

Question 1

Ambank Bank has just submitted its Report of Financial Position and Report of Income to regulatory body. The bank reported net income before taxes and securities transactions of RM30 million and taxes RM8 million. If its total operating revenues were RM800 million, its total assets RM1.8 billion, and its equity capital RM200 million, determine the following for Ambank:

- a) Tax management efficiency ratio. (3 marks)
- b) Expense control efficiency ratio. (3 marks)
- c) Asset management efficiency ratio. (3 marks)
- d) Funds management efficiency ratio. (3 marks)
- e) ROE. (3 marks)
- f) Suppose Ambank experienced a 30 percent rise in net before-tax income, with its tax obligation, operating revenues, assets, and equity unchanged. What would happen to ROE and its components? (10 marks)

(Total: 25 marks)

Question 2

- a) HL Bank is in the midst to fund a loan request of RM100 million for one year from one of its best customers, HL Bank sold Commercial Papers to its business customers in the amount of RM60 million at a promised annual yield of 2.50 percent and borrowed RM40 million in the Federal funds market from other banks at today's prevailing interest rate of 2.25 percent. Credit investigation and recordkeeping costs to process this loan application were an estimated RM250,000. The Credit Analysis Division recommends a minimal 0.5 percent risk premium on this loan and a minimal profit margin of one-fifth of a percentage point. The bank prefers using cost-plus loan pricing in this cases. What loan rate would it charge? Besides, what is break-even point and interest cost? (15 marks)
- b) Discuss the differences between debt securities and equity securities. (10 marks)

(Total: 25 marks)

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Question 3

- a) Venture capital is an important source of funding for start-up and other companies that have a limited operating history and do not have access to capital markets. A venture capital firm (VC) typically looks for new and small businesses with a perceived long term growth potential that will result in a large payout for investors. Critically describe **FOUR (4)** steps the funding process via VC. (10 marks)
- b) It is essential to know the preferences of the Venture Capital you are approaching, and to clearly articulate what type of funding you are seeking. Discuss **FIVE (5)** types of funding. (10 marks)
- c) You are going to invest in a start-up project which projected earning of 5 million and will proceed for initial public offering (IPO) with price to earning ratio (P/E) 20 times. Your required rate of return is 50% and your initial investment is 5 million. What is your portion percentage of the company you will own? Demonstrate with diagram. (5 marks)

(Total: 25 Marks)

Question 4

- a) According to Bloomberg dated 2 April 2019: "an abrupt surge in Bitcoin sent the world's most popular cryptocurrency to the highest level since November, jolting the \$160 billion market for digital assets after three months of calm. It indicates cryptocurrency become more and more popular in future".

Based on above statement

- i) Define cryptocurrency. (5 marks)
- ii) Critically discuss the implication of cryptocurrency on bank and analyze ways the bank could manage the risk posed by the revolution in technology. (10 marks)
- b) Distinguish between the central bank and commercial bank with examples. (10 marks)

(Total: 25 Marks)

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